



## Finance Committee of the Barbican Centre Board

**Date:** TUESDAY, 8 NOVEMBER 2016  
**Time:** 11.15 am  
**Venue:** COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

**Members:** Deputy John Tomlinson (Chairman)  
Deputy Dr Giles Shilson (Deputy Chairman)  
Russ Carr  
Wendy Hyde  
Emma Kane  
Vivienne Littlechild  
Judith Pleasance  
Keith Salway  
Tom Sleigh

**Enquiries:** Gregory Moore  
tel. no.: 020 7332 1399  
gregory.moore@cityoflondon.gov.uk

Lunch will be served in the Guildhall Club at 1pm  
N.B. Part of this meeting could be the subject of audio or visual recording

**John Barradell**  
Town Clerk and Chief Executive

## **AGENDA**

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **MINUTES**  
To approve the public minutes and summary of the meeting held on 12 September 2016.  

**For Decision**  
(Pages 1 - 4)
4. **OUTSTANDING ACTIONS**  
Report of the Town Clerk.  

**For Information**  
(Pages 5 - 6)
5. **GATEWAY 7: BAR INVESTMENT**  
Report of the Chief Operating & Financial Officer.  

**For Decision**  
(Pages 7 - 12)
6. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
7. **ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT**
8. **EXCLUSION OF THE PUBLIC**  
MOTION – That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.  

**For Decision**
9. **NON-PUBLIC MINUTES**  
To approve the non-public minutes of the meeting held on 12 September 2016.  

**For Decision**  
(Pages 13 - 16)
10. **BUDGET 2017/18**  
Report of the Chief Operating & Financial Officer (to follow).  

**For Decision**
11. **BUSINESS REVIEW**  
Report of the Chief Operating & Financial Officer.  

**For Information**  
(Pages 17 - 38)

12. **DEVELOPMENT UPDATE**  
Report of the Chief Operating & Financial Officer.  
**For Information**  
(Pages 39 - 58)
13. **SBR / STRATEGIC PLAN UPDATE**  
Report of the Managing Director.  
**For Information**  
(Pages 59 - 64)
14. **CAPITAL CAP UPDATE**  
Report of the Chief Operating & Financial Officer.  
**For Decision**  
(Pages 65 - 76)
15. **ISSUE REPORT: LEVEL 4 REFURBISHMENT**  
Report of the Chief Operating & Financial Officer.  
**For Decision**  
(Pages 77 - 86)
16. **ISSUE REPORT: RETAIL UNIT**  
Report of the Managing Director.  
**For Decision**  
(Pages 87 - 94)
17. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
18. **ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT**

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## FINANCE COMMITTEE OF THE BARBICAN CENTRE BOARD

Monday, 12 September 2016

Minutes of the meeting of the Finance Committee of the Barbican Centre Board held at Committee Rooms, 2nd Floor, West Wing, Guildhall on Monday, 12 September 2016 at 3.00 pm

### Present

#### Members:

Deputy John Tomlinson (Chairman)  
Deputy Dr Giles Shilson (Deputy Chairman)  
Russ Carr  
Emma Kane  
Vivienne Littlechild  
Keith Salway

### In Attendance

#### Officers:

Sir Nicholas Kenyon	-	Managing Director, Barbican Centre
Sandeep Dwesar	-	Chief Operating & Financial Officer, Barbican Centre
Louise Jeffreys	-	Director of Arts, Barbican Centre
Adam Thow	-	Head of Retail, Barbican Centre
Jim Turner	-	Head of Projects, Barbican Centre
Debbie Hackney	-	Financial Controller (maternity cover), Chamberlain's Department
Gregory Moore	-	Town Clerk's Department

#### 1. APOLOGIES

Apologies were received from Tom Sleigh.

The Chairman took the opportunity to welcome Russ Carr to his first meeting.

#### 2. MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA

There were no declarations.

#### 3. MINUTES

The public minutes and summary of the meeting held on 29 June 2016 were agreed.

#### 4. OUTSTANDING ACTIONS

The Committee received a report of the Town Clerk setting out the outstanding actions list and noted the various updates and additions.

RECEIVED.

5. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

There were no questions.

6. **ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT**

There were no urgent items.

7. **EXCLUSION OF THE PUBLIC**

RESOLVED – That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

8. **NON PUBLIC MINUTES**

The non-public minutes of the meeting held on 29 June 2016 were agreed.

<u>Item No.</u>	<u>Exemption Paragraph(s)</u>
8 – 11	3
12	3 & 7
13 - 14	3

9. **BUSINESS REVIEW**

The Committee received a report of the Chamberlain setting out the Business Review for the Period 4 Accounts 2016/17.

10. **DEVELOPMENT UPDATE**

The Committee received a report of the Chief Operating & Financial Officer which set out the latest fundraising results against budget.

11. **SBR/STRATEGIC PLAN UPDATE**

The Committee received a report of the Managing Director providing an update in respect of the Barbican's Strategic Plan and Service Based Review Targets.

12. **SECURITY UPDATE**

The Committee received a report of the Chief Operating & Financial Officer setting out the various security projects and enhancements being proposed and implemented across the Barbican Centre.

13. **UPDATE ON CAPITAL WORKS**

The Committee considered and approved a report of the Director of Operations & Buildings providing an update on the Barbican Centre's Capital Cap programme and a number of non-Capital Cap projects. An update on each of the summer projects was also provided.

14. **ACTIONS TAKEN UNDER DELEGATED AUTHORITY OR URGENCY PROCEDURES**

The Committee received a report of the Town Clerk advising of one action taken in accordance with urgency procedures and two taken under delegated authority since the last meeting.

15. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

There were no questions.

16. **ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT**

There were no urgent items.

**The meeting ended at 4.27 pm**

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Chairman

**Contact Officer: Gregory Moore**  
**tel. no.: 020 7332 1399**  
**gregory.moore@cityoflondon.gov.uk**

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## Outstanding Actions List Barbican Centre Board and Finance Committee

Action	Notes	Officer/body responsible	Date added	To be completed/ progressed to next stage
<b>Staff terms and conditions</b>	To pursue conversations around potential changes to staff terms and conditions associated with SBR targets.	Head of HR	May 2015 (Board)	Updates to be provided as work progresses.
<b>INVAC arrangements for Members</b>	Member Development Steering Group to be asked to consider offering INVAC training to all Members.  Update: INVAC training was offered to Common Councilmen in October 2016; TC to chase date for external Members.	Town Clerk	Jan 2016 (Board)	Town Clerk to chase City Surveyor for session re external Members
<b>Foyer Tour</b>	To arrange tour of revamped foyer spaces once upgraded.  Update: The improvements will now not be installed until November due to delays in the construction of the new retail unit; instead, a briefing note describing each current and forthcoming piece will be circulated to Members so they can visit at their leisure when next at the Centre.	Managing Director	May 2016 (Board)	Briefing document to be circulated with November Board papers.
<b>Frobisher refurbishment</b>	Frobisher residents to be invited to attend opening of newly refurbished area	Head of Business Events	June 2016 (Finance)	To be invited once launch date determined.
<b>Financial Appraisals</b>	Town Clerk to locate report from 2015 detailing financial appraisals arrangements.	Town Clerk	September 2016 (Finance Committee)	Report identified and circulated with committee papers.
<b>Credit Vouchers</b>	Note re application of cut-off policy to be produced.	Chief Operating & Financial Officer	September 2016 (Finance Committee)	Note to be tabled at November meeting.
<b>Risk Register</b>	Risk Committee to review weightings for Risk H&S 002 (failure to deal with emergency/major incident/risk of terrorism)	Risk Committee	September 2016 (Board)	Risk Committee to consider at 8 November meeting.

**Outstanding Actions List  
Barbican Centre Board and Finance Committee**

<b>Cultural Hub</b>	Report on cultural hub to be produced including updates on under 18 offer and cultural education partnership.	Director of Learning & Engagement	September 2016 (Board)	Report on agenda for November Board meeting.
<b>Cyber Security</b>	Report to be produced for Risk Committee outlining cyber security arrangements and learning from recent Bishopsgate Institute incident.	Head of IT	September 2016 (Board)	Risk Committee to consider at 8 November meeting.

# Agenda Item 5

<b>Committees:</b>	<b>Dates:</b>								
Finance Committee of the Barbican Centre Board Barbican Centre Board Projects Sub Committee	08 November 2016 23 November 2016 23 November 2016								
<b>Subject:</b> Gateway 7 Outcome Report: Investment in Bar Operations (02100101)	<b>Public</b>								
<b>Report of:</b> Sandeep Dwesar – Chief Operating and Financial Officer	<b>For Decision</b>								
<b><u>Summary</u></b>									
Project Status Compared to GW2	Budget : Green Specification: Green Programme: Red								
Project Status Compared to GW5	Budget: Green Specification: Green Programme: Red								
Timeline	The project is complete pending approval of this report.								
Total Estimated Cost @ Gateway 5	£70,000 (plus staff costs of £4,500)								
Currently Approved Budget	£70,000 (plus staff costs of £4,500)								
Spend / committed to date	£64,981 (plus staff costs of £4,526)								
Spend Profile	<table border="1"> <thead> <tr> <th>Year</th> <th>Amount £</th> </tr> </thead> <tbody> <tr> <td>2015/16</td> <td>59,415</td> </tr> <tr> <td>2016/17</td> <td>5,566</td> </tr> <tr> <td><b>Total</b></td> <td><b>64,981</b></td> </tr> </tbody> </table>	Year	Amount £	2015/16	59,415	2016/17	5,566	<b>Total</b>	<b>64,981</b>
Year	Amount £								
2015/16	59,415								
2016/17	5,566								
<b>Total</b>	<b>64,981</b>								
Overall project risk	Green								
<b>Recommendations</b>									
It is recommended that the lessons learnt be noted and the project is closed									

## **Main Report**

<b>1. Brief description of project</b>	<p>Following a peer review the Barbican Centre Board agreed to the Centre bringing its bars operations in house. In order to make the most out of the in-house operation of the bars and thus increase income generation, the City granted the Centre an investment loan of £70,000.</p> <p>The investment was utilised to carry out improvements to the Concert Hall and Theatre Foyer Bars by:</p> <p>Phase 1 - Installation of well-lit rear wall displays and signage</p> <p>Phase 2A -Improvement of the bar refrigeration units and reconfiguration of the point of sale positions</p>
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	Phase 2B - Provision and installation of the 3 digital display screens and reconfiguring the bar server doors and shelving to the Concert Hall bar.								
<p><b>2. Assessment of project against success criteria</b></p>	<p>a) Phase 1 - All works complete by November 2015 – This was not achieved until January 2016 due to revised event dates restricting access.</p> <p>b) Phase 2A – All work to be completed by November 2015 – This was achieved</p> <p>c) Phase 2B – All work to be completed by July 2016 – This was achieved</p> <p>d) Works completed within budget -This was achieved for all phases</p> <p>e) Additional income target figures obtained - This was achieved for year 1</p> <p>The Gateway 2 report anticipated additional contribution over a 5 year period (after investment repayment) of some £310,899 (See Appendix 1 – Investment summary as included at Gateway 2).</p> <p>The table below shows the original year 1 net profit projection after investment repayment and the ‘actual’ net profit obtained in the first year. This represents an increase of some 97% on the original estimate.</p> <table border="1" data-bbox="564 1081 1418 1346"> <thead> <tr> <th data-bbox="564 1081 836 1232"></th> <th data-bbox="836 1081 1075 1232">Original Projection (£70k investment)</th> <th data-bbox="1075 1081 1246 1232">Actual (31/08/15-28/08/16)</th> <th data-bbox="1246 1081 1418 1232">Variance</th> </tr> </thead> <tbody> <tr> <td data-bbox="564 1232 836 1346">Year 1 Contribution</td> <td data-bbox="836 1232 1075 1346">93,733</td> <td data-bbox="1075 1232 1246 1346">185,226</td> <td data-bbox="1246 1232 1418 1346">91,493</td> </tr> </tbody> </table> <p>Although the first year result demonstrates an exceptional return it could have been even better had we not had to close the main stalls bar on level – 1 for a prolonged period due to technical problems with the bar shutter (now resolved). Although a temporary bar was set up it did not have the capacity of the main bar.</p> <p>Some of the lost sales will have been picked up by the mobile bars and Benugo, the profit from which will be reported in the ‘Mobile Bars and Coffee Points’ Gateway 7 report. In reference to Benugo (one of our catering contractors), it should be noted that coffee points are now selling alcohol in the interest of customer satisfaction. This was not anticipated in the original projections and would have the effect of redistributing some of the income away from the in-house bars.</p>		Original Projection (£70k investment)	Actual (31/08/15-28/08/16)	Variance	Year 1 Contribution	93,733	185,226	91,493
	Original Projection (£70k investment)	Actual (31/08/15-28/08/16)	Variance						
Year 1 Contribution	93,733	185,226	91,493						
<p><b>3. Was the project specification fully</b></p>	<p>Yes For all three phases</p>								

<b>delivered (as agreed at Gateway 5 or any subsequent Issue report)</b>																																					
<b>4. Programme</b>	<p>The project was not completed within the agreed programme</p> <p>Phase 1 - The installation of the rear wall display units had to be reprogrammed due to Concert Hall event changes and the need to open the bars accordingly</p> <p>Phases 2A and 2B - The improvement of the bar refrigeration units , reconfiguration of the bar points of sale positions and provision of digital displays and new shelving/doors were completed within programme</p>																																				
<b>5. Budget</b>	<p>The project was completed within the agreed budget</p> <table border="1" data-bbox="566 784 1441 1612"> <thead> <tr> <th>Element</th> <th>Gateway 2 (£)</th> <th>Gateway 5 (£)</th> <th>Gateway 7 (£)</th> </tr> </thead> <tbody> <tr> <td>Main Works</td> <td>68,800</td> <td>00</td> <td>00</td> </tr> <tr> <td>Phase 1 Well-Lit Displays</td> <td>Inc</td> <td>44,591</td> <td>49,041</td> </tr> <tr> <td>Phase 2A Reconfigure Work Stations</td> <td>Inc</td> <td>24,209</td> <td>10,374</td> </tr> <tr> <td>Phase 2B Provision of digital Displays and new shelving/doors</td> <td>Inc</td> <td>Inc</td> <td>5,566</td> </tr> <tr> <td>Fees</td> <td>1,200</td> <td>1,200</td> <td>00</td> </tr> <tr> <td><b>Total</b></td> <td><b>70,000</b></td> <td><b>70,000</b></td> <td><b>64,981</b></td> </tr> <tr> <td>Staff Costs</td> <td>3,000</td> <td>4,500</td> <td>4,526</td> </tr> <tr> <td><b>Total</b></td> <td><b>73,000</b></td> <td><b>74,500</b></td> <td><b>69,507</b></td> </tr> </tbody> </table> <p>Staff costs included at project proposal stage increased due to the difficulties in sourcing the required specialist works and the need to appoint multiple contractors because the original designers withdrew from the project. This meant that the design had to be managed in-house.</p> <p>Verified</p> <p>The - Phase 1 final account has been verified.</p> <p>All other contract sums are below the threshold that requires</p>	Element	Gateway 2 (£)	Gateway 5 (£)	Gateway 7 (£)	Main Works	68,800	00	00	Phase 1 Well-Lit Displays	Inc	44,591	49,041	Phase 2A Reconfigure Work Stations	Inc	24,209	10,374	Phase 2B Provision of digital Displays and new shelving/doors	Inc	Inc	5,566	Fees	1,200	1,200	00	<b>Total</b>	<b>70,000</b>	<b>70,000</b>	<b>64,981</b>	Staff Costs	3,000	4,500	4,526	<b>Total</b>	<b>73,000</b>	<b>74,500</b>	<b>69,507</b>
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<b>Final Account Verification</b>																																					

	formal verification
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### Review of Team Performance

<b>6. Key strengths</b>	The client department's vision of the scheme needed to enhance rear wall displays to the bars which has realised a much larger year 1 profit than anticipated.
<b>7. Areas for improvement</b>	<p>A detailed specification of client's overall requirements at the beginning of the scheme would have assisted in procurement and reduced the need for multiple reports and appointments and hence more staff time needed to be allocated to the project. (This occurred because the original designers withdrew and the design had to be managed in-house )</p> <p>Acceptance of 'new' events in areas adjacent to the bars caused delays in getting these works completed. Fortunately, thanks to 'understanding' suppliers and contractors this did not incur any additional costs.</p>
<b>8. Special recognition</b>	<p>Bringing the bar operations in-house has realised a much greater profit in the first year than anticipated. Credit for this must go to the Commercial Development Dept.</p> <p>Rear Wall Display Units - the Contractor for his understanding of the need to change his programme at short notice to suit late changes in the Centre's events.</p>

### Lessons Learnt

<b>9. Key lessons</b>	<ul style="list-style-type: none"> <li>• A project is more likely to succeed when a client department is able to proactively assist in specifying their requirements at an early stage.</li> <li>• 'Last Minute' additions to events programmes can have a detrimental effect on contractors programmes</li> </ul>
<b>10. Implementation plan for lessons learnt</b>	<ul style="list-style-type: none"> <li>• The projects office will continue to seek the full involvement and co-operation of the client departments and other stakeholders in providing a full brief</li> <li>• Senior Managers at the Centre will be encouraged to consider restricting availability of areas adjacent to areas of work when accepting 'new' events, providing this does</li> </ul>

	not have a serious impact on income streams.
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**Appendices**

<b>Appendix 1</b>	Investment in Bar Operations - GW 1-2 Investment Summery
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**Contact**

<b>Report Author</b>	Richard O'Callaghan
<b>Email Address</b>	richard.ocallaghan@barbican.org.uk
<b>Telephone Number</b>	020 7382 2331

## Appendix 1 – Gateway 1 -2

### Investment In Bar Operations: Investment Summary

1. A summary of the financial model is provided below illustrating the financial advantage associated with running the bars in-house rather than retaining an externally contracted agreement. This investment is required to facilitate the functioning of the in-house operation.

	CONCESSION INCOME <i>(were bars to remain contracted)</i>	NET PROFIT <i>(from in-house operation)</i>	<i>Investment Repayment</i>	NET PROFIT <i>(after investment repayment)</i>	<i>Variance against concession</i>
<b>Actual 13/14</b>	<b>£120,000</b>				
<b>Projected Year 1</b>	<b>£148,733</b>	<b>£109,133</b>	£15,400	<b>£93,733</b>	-£55,000
<b>Projected Year 2</b>	<b>£154,997</b>	<b>£245,203</b>	£15,120	<b>£230,083</b>	£75,086
<b>Projected Year 3</b>	<b>£161,544</b>	<b>£255,529</b>	£14,840	<b>£240,689</b>	£79,146
<b>Projected Year 4</b>	<b>£168,387</b>	<b>£283,199</b>	£14,560	<b>£268,639</b>	£100,252
<b>Projected Year 5</b>	<b>£175,541</b>	<b>£301,237</b>	£14,280	<b>£286,957</b>	£111,416
<b>TOTAL (Year 1-5)</b>	<b>£809,202</b>	<b>£1,194,301</b>	<b>£74,200</b>	<b>£1,120,101</b>	<b>£310,899</b>

2. The projected income in year 1 income would be below that projected if the concession model was applied. This is due to the start-up costs of the project and a gross profit % set below the optimum as the operation beds in.
3. The cost of sales, margins and labour costs from year 2 are based on industry norm (medium). Extensive research including site visits and interviews have taken place with the National Theatre, who have also assisted with analysis of profit margins. It is hoped that this provides comfort that the income projections are realistic.
4. The business plan projects that over 5 years the Searcy's concession (or that of a newly appointed contractor) would deliver c. £809,202 income for the Centre from the bars operation; a 15% concession. However, a new contract will be let in line with the City of London's London Living Wage (LLW) policy, which is likely to have an adverse implication on the percentage concession that we will be able to secure. This is hard to quantify this in advance of the tender process, however, we can estimate that the percentage concession could drop to circa 12%.



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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